

Message Text

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ACTION EB-07

INFO OCT-01 EA-06 NEA-09 ISO-00 AGR-05 L-02 CIAE-00

COME-00 INR-07 LAB-04 NSAE-00 SP-02 STR-01 TRSE-00

CIEP-01 FRB-03 OMB-01 SS-15 NSC-05 /069 W

----- 031092

R 131030Z MAR 75

FM AMCONSUL KARACHI

TO SECSTATE WASHDC 8720

INFO AMEMBASSY ISLAMABAD

AMEMBASSY KUALA LUMPUR

AMEMBASSY BANGKOK

AMEMBASSY MANILA

AMEMBASSY RABAT

AMEMBASSY SEOUL

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

C O N F I D E N T I A L KARACHI 0455

E.O. 11652: GDS

TAGS: EAGR EFIN ETRD PK MY TH RP MO KS SN TW

SUBJECT: COTTON CONTRACT PROBLEM

REF: A) STATE 053069 B) ISLAMABAD 2015

1. MR. LAWSON AND MR. JOHANSSON ARRIVED KARACHI
ON SCHEDULE PER REF A AND CALLED ON ME SHORTLY THEREAFTER.
DURING ENSUING MEETING, IT DEVELOPED THAT THEIR VISIT
HAS LITTLE CONNECTION WITH DUMPING ISSUES DISCUSSED
REF B AND PREVIOUS. LAWSON SAID HE AND HIS ORGANIZATION
DO NOT AGREE THAT ANY DUMPING TAKING PLACE IN WORLD
COTTON MARKET - RATHER THERE IS A WORLD PRICE AT WHICH
COTTON IS SOLD THROUGH MARKET MECHANISM.

2. LAWSON HAS VISITED PAKISTAN TO REPRESENT INTERESTS
OF AMERICAN COTTON EXPORTERS ASSOCIATION (ACAL),
AN ORGANIZATION SET UP UNDER WEBB-POMERENE ACT, AND
INCLUDING VIRTUALLY ALL U.S. COTTON EXPORTERS. ACEA'S
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AIM AND RAISON D'ETRE IS TO ENFORCE CONTRACTS BETWEEN

U.S. RAW COTTON SUPPLIERS AND FOREIGN MILLS WHICH HAVE

RENEGED IN INCREASING NUMBERS ON CONTRACTS IN FALLING COTTON MARKET OVER PAST MONTHS. SUCH ENFORCEMENT BEING CARRIED OUT THROUGH REFUSAL OF ACEA MEMBERS OW SUPPLY ANY RAWCOTTON TO FOREIGN MILLS WHO ARE IN DEFAULT ON OUTSTANDING COTTON EXPORT CONTRACTS WITH U.S. SUPPLIERS. ACEA "DEFAULTR LIST", NOW INCLUDES SOME 125 MILLS IN KOREA, MALAYSIA, MOROCCO, SINGAPORE, TAIWAN AND THAILAND.

3. LAWSON SAID THAT ERLIER DURING HIS PRESENT TRIP, HE HAD HAD GENERAL MEETINGS WITH LIVERPOOL AND GENEVA COTTON MERCHANTS AND THAT HE HAD OBTAINED THEIR COOPERATION IN CUTTING OFF FURTHER RAW COTTON SUPPLIES TO MILLS ON DEFAULTERS LIST. LAWSON IS HERE IN PAKISTAN FOR SOLE PURPOSE OF PERSUADING PAKISTAN COTTON EXPORT CORPORATION AND GOP AUTHORITY ALSO TO COOPERATE IN CUTTING OFF NEW SUPPLIES OF RAW COTTON TO BLACK-LISTED MILLS. LAWSON EMPHASIZED HE AND ACEA NOT INTERESTED IN PRICE OF COTTON TO MILLS ON DEFAULTERS LIST. RATHER HE IS INTERESTED IN CUTTING OFF ALL SUPPLIES AT ANY PRICE UNTIL DEFAULTING MILLS HONOR ORIGINAL CONTRACTS. LAWSON CHARACTERIZED PRESENT EFFORT OF ACEA AS ONE WHICH WOULD SHORE UP WHOLE CONCEPT OF SANCTITY OF CONTRACTS, WHICH HAS CONSTANTLY BEEN ERODED SINCE SEPTEMBER 1974 BY GROWING DEFAULTS BY COTTON TEXTILE MILLS IN COUNTRIES METIONED ABOVE.

4. ON MARCH 12 LAWSON REPORTED SUBSTANTIAL SUCCESS IN PERESADING KARACHI BASED, COTTON EXPORT CORPORATION TO ADOPT POLICY OF ACEA TOWARD FIRMS ON DEFAULTERS LIST. DURING HIS VISIT TO ISLAMABAD ON MARCH 2ND HE WILL SEE OFFICIALSWOP BACKING FOR CUTTING OFFICAL COTTON (ON WHIH CEC HAS EXPORT MONOPOLY) TO MILLS ON DEFAULTERS LIST.
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